

IDEA Funding: Time for a New Approach

Mandatory Funding Proposal February, 2002

Produced by the IDEA Funding Coalition:



American Association of School Administrators



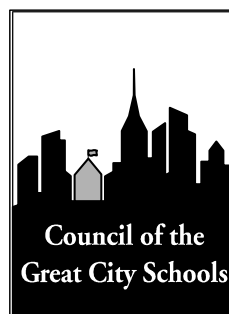
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In 1975, our country took a major step forward in promoting the inclusion and equality of one of our most disenfranchised groups of citizens. Passage of the Education for All Handicapped Children Act (now known as the Individuals with Disabilities Education Act), assured that all children with disabilities receive a free, appropriate public education.¹ Over six million children with disabilities are no longer limited by their families' ability to afford private education; they are no longer forced to attend costly state institutions, or worse, stay home and miss out entirely on the benefits of an education. IDEA ensures that children with disabilities may attend public schools alongside their peers. There is no question about it: students, schools, and communities are enriched when all children have a right to a free, appropriate public education.

November 2001 marked the 26th anniversary of IDEA. Despite all that has been accomplished on behalf of children with disabilities, much more remains to be done. In the 26-year history of the Individuals with Disabilities Education Act, the federal contribution has always fallen far short of the congressional commitment to fully fund IDEA. Local and State budgets have been forced to absorb the shortfall.² In the last several years Congress has made significant progress, but IDEA appropriations still need a 139 percent increase before IDEA is fully funded.³ After 26 years, the magnitude of that shortfall demands a new approach. It is time to make special education funding mandatory and deliver on a long overdue promise.

Basics of the Proposal:

- Make IDEA funding mandatory.
- Increase the federal contribution from 17 percent to 40 percent.
- Accomplish full funding gradually over six years.
- Require states to maintain their level of effort.
- Encourage schools to intervene early in a child's life and provide developmentally appropriate programs and services. Developmentally appropriate intervention during the early years can dramatically reduce later referrals to special education and eventually help curb the costs of special education.

What is full funding of IDEA?

Part B of IDEA originally authorized Congress to contribute up to 40 percent of the average per pupil expenditure (APPE) for each special education student.⁴ In 2002 the average per pupil expenditure is expected to be \$7,320⁵. With 6,153,000 students served under IDEA, schools are qualified to receive \$18.01 billion in federal funds. Unfortunately, schools are only receiving \$7.5 billion. In other words, schools are currently receiving roughly 17 percent rather than the federal commitment of 40 percent of APPE⁶. Although that is a significant sum, schools will spend more than \$102 billion on those students in the same year⁷. In addition, there are additional parts within IDEA that are funded individually and serve additional purposes. For example, Part C of IDEA is designed to meet the developmental needs of infants and toddlers and their families in order to prevent later disabilities. These other parts are also under funded.

How close is the federal government to fully funding IDEA?

Federal funding is \$10.5 billion short of full funding this year and would need a 139% increase to be fully funded.⁸

How does the federal shortfall hurt school districts?

While much attention has been paid to rising federal expenditures for special education over the past few years, new federal funding has not kept pace with rising costs at the local level. In fact, special education costs for local school districts are rising substantially faster than new federal funding. Even with recent increases in federal special education funding over the past few years, the local financial burden has increased from 39 percent of total spending to 45 percent during the same time period.⁹

The federal government is shortchanging local school districts more than \$10.5 billion in FY2002 alone. If IDEA had been fully funded for the last 26 years state and local governments would have saved \$311 billion which would have been available to increase teacher salaries, to reduce class size, or to purchase new computers and up-to-date textbooks. That \$311 billion could have been used to build over 43,000 new elementary schools or hire over 300,000 new teachers and other educators, which would have resulted in smaller class sizes and led to increased student achievement.

According to the US Department of Education, "Historically, local educational agencies have struggled with meeting the minimal education needs of a growing population of children with disabilities".⁹

How would fully funding IDEA help students across the country?

Currently, local districts are struggling to pay for needed services under a student's IEP. Fully funding of IDEA will help to relieve that burden by supplying the necessary dollars to boost the quality and range of the services available. Increased federal dollars will help to raise salaries for teachers and related services personnel, thereby allowing districts to enhance recruitment and retention possibilities.

Why should the program be funded through mandatory spending instead of discretionary funds?

For 26 years Congress has promised to fully fund IDEA, yet funding is roughly 17 percent. At increases of \$1 billion plus inflation (2.5%) per year, Congress is on course to fully fund IDEA in FY 2035.¹¹ School children cannot wait another 33 years. IDEA services are required by federal law; accordingly, the funding should be mandatory.

How will the proposal for mandatory expenditures solve the problem?

The proposal would gradually increase federal spending over the next six years through annual increases of \$2.45 billion per year over the next six years. Funding for IDEA would be moved out of the discretionary portion of the budget and into mandatory spending. This increase would raise the federal share of APPE by an average of 4.2 percent each year.

How would the shift from discretionary funding to mandatory funding affect other education programs and improve services for all students?

When IDEA funding is shifted to mandatory spending, the overall discretionary budget cap for education should not be decreased. In essence, \$7.5 billion in discretionary funding should be freed up for other programs. Education programs would likely receive some of the new funds. Without the pressure to make large increases in IDEA each year, appropriators would have much more freedom to fund other critical education programs. All children, including children with disabilities, would benefit from increased funding for other education programs if IDEA were shifted to mandatory funding sources.

Would mandatory funding relieve the funding burden on state and local governments?

IDEA allows school districts a flexibility exception to the local maintenance of effort, supplement not supplant and excess cost requirements of IDEA. Specifically, the law and its implementing regulations state that for any fiscal year in which the appropriation for Part B state grants exceeds \$4.1 billion (as it has since 1999), a school district may use up to 20 percent of the annual increase for local education expenditures.¹² However, the cost of IDEA is increasing so

rapidly that many districts are not able to take advantage of the flexibility. When IDEA funding nears the 40 percent commitment, schools will finally be able to free up resources for other educational purposes. To this end, the proposal requires that any local funds freed up by the new federal funds be spent on other education programs and services.

What is the approximate cost of the full funding proposal?

For FY 2002 the federal share of Part B of IDEA is \$7.5 billion. With full funding, the federal investment would then increase to an estimated \$22.2 billion a year by 2008.¹³ Fully funding IDEA by FY 2008 would cost approximately \$95.5 billion over the next 6 years.¹⁴ If IDEA funding were frozen at current spending levels, federal funding over the next six years would amount to \$45.2 billion in expenditures.

Who supports mandatory full funding of IDEA?

In addition to the education groups that are part of this coalition, mandatory full funding for IDEA enjoys broad bipartisan support. Both the National Governors Association and the National Conference on State Legislatures strongly support guaranteed full funding. Currently, 35 states have passed state resolutions urging Congress to fulfill its 40% commitment. Last year, the Senate enacted on a unanimous voice vote the Harkin-Hagel amendment to provide mandatory full funding of IDEA. In the House, more than 120 Members from both parties have sponsored bills to provide for the guaranteed full funding.

This year offers the best opportunity to help IDEA.

Central to the reauthorization of IDEA this year is the need for full funding. The failure of Congress to provide full funding for the past 26 years has adversely impacted the ability of local schools to provide quality educational services for all children. According to the National Governors Association, states are experiencing budget deficits ranging from \$40-50 billion nationwide. Given this situation, now, more than ever it is imperative for Congress to meet this commitment. Students with disabilities have a right to the same educational opportunities as all other students, and the federal government has an obligation to pay for part of it. It's past time to remove IDEA from the annual funding showdown and make good on a 26-year old promise.

¹ See Education for All Handicapped Children Act of 1975, 20 U.S.C. § 1400 et seq.

² According to a 1988 Dept of Education study conducted by Moore et al., the cost of educating a special education student is 228 percent of the cost to educate the average student. As indicated in Appendix I, FY2002 APPE is an estimated \$7,320. Therefore, the excess cost created by the average special education student is 128 percent of APPE, or \$9,369. With 6,153,000 children served by IDEA, each costing an average excess \$9,369, approximately \$57.6 billion was spent on

excess special education costs. The federal share of \$7.5 billion is only 13 percent of the excess cost of special education.

³ Current funding for IDEA is \$7.5 billion. The FY2002 IDEA authorization level was \$18.01 billion (see appendix I). Therefore, the program is \$10.5 billion short of full funding this year. A 139 percent increase is needed to fully fund IDEA.

⁴ 20 U.S.C. § 1411(a).

⁵ See Appendix I

⁶ To calculate percentage of APPE funded by current law: (current funding)/(APPE*Enrollment) or (\$7.5 billion)/(\$7,320*6,153,000)= 16.71 percent, rounded to 17 percent.

⁷ Based on a 1988 Dept. of Education study by Moore et al, educating a special education student costs 2.28 times as much as a regular education student, or \$16,689 per pupil. With 6,153,000 students, that amounts to \$102.69 billion.

⁸ See Appendix I for difference between FY2002 Appropriation and FY2002 Authorization.

⁹ Department of Education, Fiscal Year 2002 Justifications of Appropriation Estimates to Congress, Volume 1.

¹⁰ Parish (in press). Who's paying the rising costs of special education? Journal of Special Education Leadership. Council of Administrators of Special Education.

¹¹ CRS Memo to Senator Hagel. 1/29/02 Using conservative estimates, CRS has APPE inflationary growth at 2.5% per year and the disabled child count at 1% growth.

¹² 20 U.S.C. § 1413(a)(2)(C); 34 C.F.R. §300.233 (1999).

¹³ See Appendix I.

¹⁴ Current funding is \$7.5 billion. To reach full funding of \$22.5 in 6 years, funding needs to be increased by roughly \$2.45 billion each year. At an increase of \$2.45 billion a year, an additional \$50.4 billion would be added to the program. Added to the \$45.17 billion of base funding (\$7.5 billion a year, for six years), \$95.5 billion will be spent on IDEA during the six year period.

Appendix I: IDEA Authorization Estimates

FY	Per Pupil Expenditure	Disabled Enrollment	IDEA Authorization	Actual IDEA Spending	Education Community Proposal \$2.45 billion a year for 6 years	% of Per Pupil Spending Paid by Fed. Gov..
1991	\$5,023	4,761,000	\$6,980,000,000	\$1,845,000,000		
1992	\$5,160	4,941,000	\$9,370,000,000	\$1,976,000,000		
1993	\$5,327	5,111,000	\$9,370,000,000	\$2,050,000,000		9.0%
1994	\$5,529	5,309,000	\$10,400,000,000	\$2,150,000,000		8.0%
1995	\$5,689	5,378,000	\$11,700,000,000	\$2,320,000,000		8.0%
1996	\$5,923	5,573,000	\$12,083,270,000	\$2,320,000,000		7.4%
1997	\$6,168	5,729,000	\$13,815,610,000	\$3,110,000,000		9.5%
1998	\$6,407	5,903,000	\$14,639,123,000	\$3,800,000,000		9.5%
1999	\$6,584	6,055,000	\$15,354,920,000	\$4,310,000,000		10.0%
2000	\$6,821	6,118,000	\$15,711,160,000	\$4,989,000,000		13.0%
2001	\$7,066	6,138,000	\$17,348,443,200	\$6,340,000,000		14.8%
2002	\$7,320	6,153,000	\$18,015,984,000	\$7,528,533,000		16.7%

2003	\$7,583	6,163,000	\$18,693,611,600		\$9,978,533,000	21.3%
2004	\$7,856	6,171,000	\$19,391,750,400		\$12,428,533,000	25.6%
2005	\$8,138	6,176,000	\$20,104,115,200		\$14,878,533,000	29.6%
2006	\$8,431	6,174,000	\$20,821,197,600		\$17,328,533,000	33.2%
2007	\$8,734	6,162,000	\$21,527,563,200		\$19,778,533,000	36.7%
2008	\$9,048	6,143,000	\$22,232,745,600		\$22,228,533,000	39.9%
2009	\$9,373	6,129,000	\$22,978,846,800			40.0%
2010	\$9,710	6,124,000	\$23,785,616,000			40.0%

The data displayed in this chart is a product of several different sources. It represents the coalition's best estimate of the future authorization levels of IDEA. It is important to note that there are several estimates of IDEA growth. The Office of Special Education Rehabilitative Services (OSERS) predicts a higher level of growth for special education enrollment. However, they use lower projections of APPE growth, resulting in overall predictions slightly lower than the above calculations. In a recent report CBO predicts a higher authorization level each year (\$23.1 billion by FY2007). Unfortunately the CBO projection is based on outdated APPE figures. They use \$6,660 for FY2001, which is the actual APPE level from 1999. Since the APPE figures used by CBO are at least three years out of date, we have chosen not to use the CBO calculations. None of the available predictions are without flaws, but the above calculation uses *conservative* estimates that fall between the OSERS and CBO calculations. Each column is explained on the following page.

Per Pupil Expenditure: This column is historical data from 1991-1998 (Digest of Education Statistics 2000). 1999-2000 numbers are estimates included in Digest. 2001-2010 numbers are estimates prepared by advocates in the education community assuming a yearly growth rate of 3.59 percent (the average growth from 1996-2001).

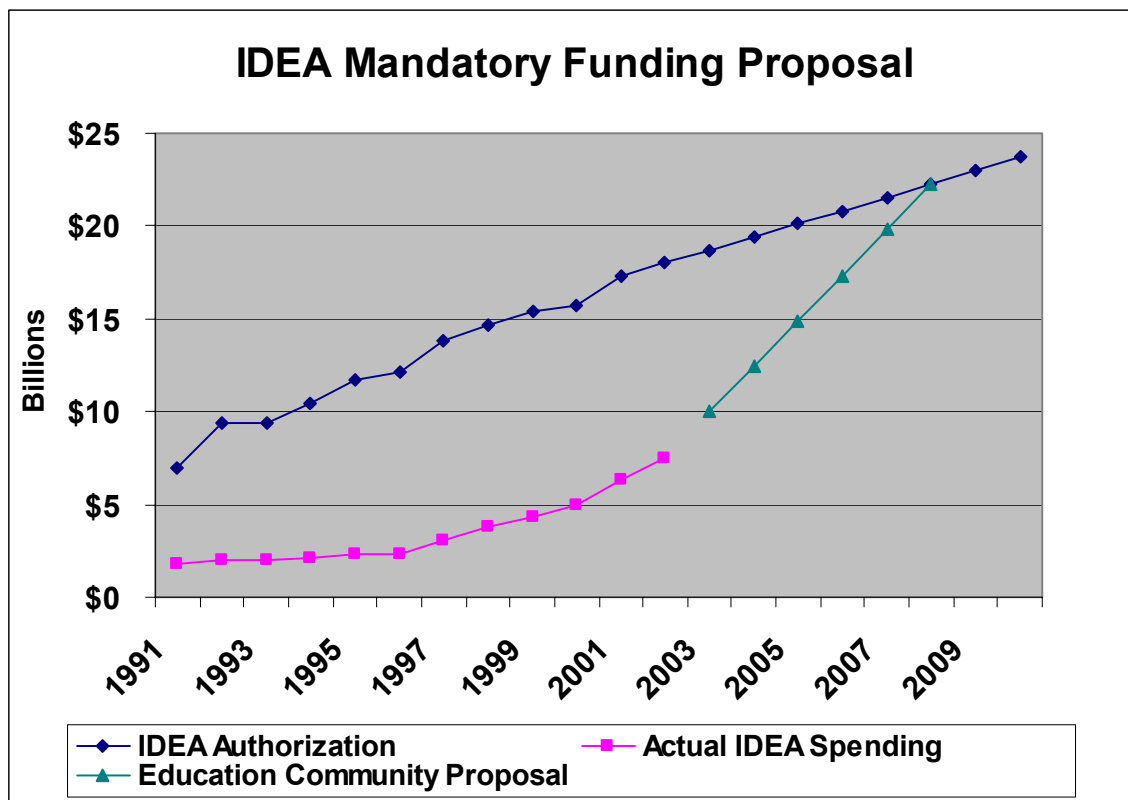
Special Education Enrollment: 1991-1999 based on historical data provided by Digest of Education Statistics 2000. 2000-2010 enrollments represent 13.01 percent of enrollment projections in Education Projections to 2010 (Table 1--enrollment in grades k-8 and 9-12 of elementary and secondary schools, by control of institution.) 13.01 percent was used as an assumption of enrollment because it is the most recent (1999-2000 school year) data available on percentage of students in public school served by special education. Using the 1999-2000 percentage results in a conservative estimate of student growth since that percentage has grown consistently over the last 10 years.

IDEA Authorization: This column is historical data from 1991-2002. For 2003-2007, Authorization level was calculated by multiplying 40 percent (Expenditures) by (Enrollment).

IDEA Spending: This Column is all historical data provided by the annual CEF Education Budget Alerts.

Education Community Proposal: This column illustrates \$2.45 billion increases each year for the next 6 years. This is only a suggested path to full funding.

Percentage of Per Pupil Spending: This column is a calculation of the appropriation level (or proposed appropriation level) divided by the total authorization level (column 3).



IDEA Funding Coalition Membership

The IDEA Funding Coalition is a working group of nine non-profit education associations sharing an interest in special education finance. The coalition is dedicated to creating mandatory resources for the Individuals with Disabilities Education Act. For more information, please contact any of the following:

American Association of School Administrators - Mary Conk, (703) 875-0733
American Federation of Teachers – Matt Morrison, (202) 393-8631
American Speech-Language-Hearing Association - Neil Snyder, (202) 624-7750
Council for Exceptional Children - David Egnor, (703) 264-9452
Council of the Great City Schools - Jeff Simering, (202) 393-2427
National Association of Elementary School Principals - Sally McConnell, (703) 518-6263
National Association of Secondary School Principals - Steve DeWitt, (703) 860-7338
National Education Association - Randy Moody, (202) 822-7594
National PTA - Carolyn Henrich, (202) 289-6790
National School Boards Association - Dan Fuller, (703) 838-6763